

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6540**

**BILL NUMBER: HB 2128**

**DATE PREPARED:** Jan 11, 2001

**BILL AMENDED:**

**SUBJECT:** Sales Tax Exemption for College Textbooks.

**FISCAL ANALYST:** John Parkey

**PHONE NUMBER:** 232-9854

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues		(5,300,000)	(5,600,000)
State Expenditures			
Net Increase (Decrease)		(5,300,000)	(5,600,000)

**Summary of Legislation:** This bill provides that sales of textbooks are exempt from the state Gross Retail Tax if:

- (1) the textbooks are required for an undergraduate course at an accredited college or university; and
- (2) the purchaser is a student enrolled in an accredited college or university or the parent or guardian of a student enrolled in an accredited college or university.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This bill will reduce the amount of revenue the state receives from the sale of undergraduate college text books beginning in FY 2002. Based on undergraduate enrollment numbers from the Commission for Higher Education and textbook sales data from the National Association of College Stores, the exemption is estimated to reduce sales tax revenue by approximately \$5.3 M in FY 2002 and \$5.6 M in FY 2003.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund ( 40%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund

(0.17%), and the Industrial Rail Service Loan Fund (0.04%).

The reductions in these funds for FY 2002 are estimated to be:

State General Fund:	\$ 3,128,590
Property Tax Replacement Fund:	\$ 2,120,000
Public Mass Transportation Fund:	\$ 40,280
Commuter Rail Service Fund:	\$ 9,010
Industrial Rail Service Fund:	\$ 2,120
Total	\$ 5,300,000

Purchasers of exempt textbooks could choose to use the savings created by this exemption to purchase taxable goods that otherwise would not have been purchased. If additional taxable goods are purchased, the impact of this proposal may be partially mitigated.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Commission for Higher Education; National Association of College Store's *College Store Industry Financial Report 2000*.